DSB report: DOD must speed outsourcing

By JOHN STEIN MONROE

A Defense Science Board (DSB) study released last week calls for the Defense Department to move aggressively to outsource most DOD support activities, and identifies the data centers as "an attractive early candidate."

The "Report of the Defense Science Board Task Force on Outsourcing and Privatization" hammers away at perceived impediments to outsourcing - including the Office of Management and Budget Circular A-76 - and pushes for DOD to adopt a more sweeping policy of turning commercial activities over to private industry.

"The task force believes that as a matter of principle, as well as for reasons of sound policy, all DOD support activities that are commercial in nature should be provided by private vendors," the task force said.

"The private sector is the primary source of creativity, innovation and efficiency in our society, and is more likely than government organizations to provide cost-effective support to the nation's military forces," according to the report.

In looking at a broad range of areas - logistics, base activities, defense agencies, and finance and administrative functions - the task force identified the Defense Finance and Auditing Service and the Defense Information Systems Agency, which manages 16 DOD data centers, as obvious targets.

"In the private sector, firms routinely outsource data center operations to reduce costs and gain access to new technologies and skilled workers," the task force said. The report cites a Coopers & Lybrand study from earlier this year that projected $1.25 billion in savings from outsourcing and further consolidation "with no negative impact on service delivery." DISA has a staff of 5,800 government employees and an annual budget that exceeds $700 million. DISA presently outsources 10 percent of its core technical workload, according to the task force report. A DISA spokeswoman last week said, "DISA today uses commercial sources to satisfy the majority of DOD's communications and information processing requirements."

To make way for increased outsourcing, the task force recommends that DOD agencies, if necessary, exempt themselves from OMB Circular A-76, which spells out the cost comparisons and other requirements of moving functions into the private sector. DOD can get a waiver "when required to ensure national defense."

"The task force urges DOD to take full advantage of this flexibility to jump start the department's outsourcing initiative," the report said. However, the task force also

recognized that DOD, in some cases, may be forced to comply with A-76 for "political and/or legal" reasons.

Congress apparently anticipated such an approach. Under the 1997 DOD Appropriations Bill, passed last week, "None of the funds appropriated by this Act shall be available to convert to contractor performance" any activity currently being done in-house.

To bolster other specific recommendations - such as creating an outsourcing Tiger Team and establishing concrete outsourcing targets - the task force calls for a "top down" approach to outsourcing policy. "The secretary of Defense should articulate a clear policy favoring outsourcing of most support functions," the task force said.